

## **NEWS RELEASE**

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### **DeNUCCI REPORT URGES FULL REIMBURSEMENTS TO CITIES AND TOWNS FOR STATE-OWNED LAND**

State Auditor Joe DeNucci today released a report showing that state compensation to cities and towns for state-owned land has failed to keep pace with changes in valuations, and recommending full funding for assistance to municipalities to offset lost property tax revenue.

DeNucci's report on the state's Payments-in-Lieu-of-Taxes (PILOT) program, noted that the Legislature has made gradual progress toward full funding of the program since he first brought the underfunding problem to light seven years ago. However, the report said the original annual target amount of \$21 million – even if adopted in the pending state budget for fiscal year 2002 – would still fall nearly \$10 million short of full funding because of an overall increase in the value of state property.

Under the PILOT program, the state is required to reimburse cities and towns for lost tax revenues from state-owned land each year. PILOT payments are distributed to municipalities through the Cherry Sheet. A report issued by DeNucci in 1994 revealed that the program was badly underfunded during fiscal years 1989 through 1996. As a result of the 1994 report, the Legislature has gradually increased PILOT assistance toward the initial \$21 million target.

However, a revaluation of state-owned land last year by the Department of Revenue (DOR) increased the value of applicable land from \$1.3 billion to \$1.8 billion. As a result, even a \$3 million increase in assistance to the \$21 million level – as is being considered by the House-Senate budget conference committee – would mean losses for 122 municipalities totaling \$2.74 million when the new values are taken into account.

DeNucci's report said the negative impact would be greater on communities that experienced a decrease in state-owned land values, since PILOT assistance is based on the valuation of each municipality's state-owned land relative to the entire state.

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For example, the value of state-owned land in the Town of Plymouth was 5.2 percent of all state land prior to the DOR revaluation, resulting in \$936,000 in PILOT aid to Plymouth last

year. However, after revaluation, the Plymouth land now represents only 3.3 percent of all state property value. Therefore, if PILOT aid is level-funded at the current \$18 million, Plymouth will lose \$336,000 in state aid. Even with an increase to \$21 million, the report said, Plymouth would still lose \$236,000. At the new full funding level of \$30.8 million, Plymouth would gain \$97,000.

The DeNucci report noted that cities and towns have planned their budgets based on preliminary Cherry Sheet notifications indicating that the total fiscal year 2002 PILOT appropriation would be \$21 million. As a result, the report urged the Legislature, at the very least, to fund the PILOT program at \$21 million. Full funding could then be phased in over a period of time.

“I commend the Legislature for making substantial progress toward full funding of this important local aid program in recent years,” said DeNucci. “However, last year’s revaluation has moved the target upward. I realize that there are many other funding priorities in the current budget, but I hope my report results in further progress toward fulfilling the Commonwealth’s obligation under this state law.”

The report was prepared by DeNucci’s Division of Local Mandates, which reviews the financial impact of state mandates on cities and towns as required by Proposition 2½.

NOTE: The full text of the PILOT report, including comparisons of specific amounts of PILOT aid for cities and towns, is available at:

[www.state.ma.us/sao/pilotreport.doc](http://www.state.ma.us/sao/pilotreport.doc)